

DRAFT:DFM:cg (3 Apr 75)

Honorable Abraham A. Ribicoff, Chairman
Committee on Government Operations
United States Senate
Washington, D. C. 20515

Dear Mr. Chairman:

I understand that S. 653, introduced on February 11 by Senator Proxmire, has been referred to the Committee on Government Operations for consideration. This bill would authorize those congressional committees with legislative oversight of the intelligence agencies to require the General Accounting Office to audit the accounts and operations of the intelligence agencies. The legislation states this audit shall be conducted notwithstanding the provision of section 8(b) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403). Because this bill would have a serious detrimental effect on the Central Intelligence Agency, I am taking the liberty of writing to you to express my concern.

Section 102(d)(3) of the National Security Act of 1947 (50 U.S.C. 403) charges the Director of Central Intelligence with protecting Intelligence Sources and Methods from unauthorized disclosure. This responsibility stems from the realization that protection of these sources and methods is vital to the accomplishment of CIA's mission of providing first-rate finished intelligence to the nation's policy makers. One of the key statutory tools assisting the Director in protecting sources and methods is section 8,

which would be severely eroded by enactment of S. 653. Section 8(b) states:

"(b) The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of Government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director and every such certificate shall be deemed a sufficient voucher for the amount therein certified."

The importance of this section was acknowledged by Lindsay C. Warren, Comptroller General at the time the CIA Act was before Congress. A letter dated March 12, 1948, from Mr. Warren to the Director of the Bureau of the Budget, addressed this confidential funds authority. Mr. Warren wrote that while this authority provided "for the granting of much wider authority than I would ordinarily recommend for Government agencies, generally, the purposes sought to be obtained by the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein." He further stated that the "necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in Section 102(d) 3 of Public Law 253, that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure." Under

these conditions, he stated, "I do not feel called upon to object to the proposals advanced..."

GAO began auditing the vouchered accounts of this Agency in 1949. This was the same audit GAO conducted of other federal agencies. In the 1950's, however, GAO instituted the comprehensive audit, the purpose of which was to examine all agency financial transactions, as well as to evaluate the utilization of property and personnel, and the effectiveness and economy of the conduct of agency programs. Through negotiations between CIA and GAO, an expanded audit by GAO was instituted in 1959, but one which fell short of the full comprehensive audit in that it did not encompass the most sensitive agency accounts and operations. During these negotiations, the Comptroller General again expressed his support for Section 8.

of a financial audit *continued*
This arrangement was maintained until 1962. Despite the urging of the Director of Central Intelligence (Mr. McCone) and Chairman of the Committee on Armed Services of the House of Representatives (Mr. Vinson), GAO recommended that their audit be discontinued, stating their view that GAO did "not have sufficient access to make comprehensive reviews on a continuing basis that would be productive of evaluations helpful to the Congress." The Director and Mr. Vinson reluctantly agreed. As a result of the GAO desire to discontinue its audit, the Agency established additional internal audit and review procedures. These follow exactly the same procedures and techniques that GAO employs.

The Agency Audit Staff reports directly to me through the Inspector General and observes the same audit principles and standards as the GAO.

I believe an unfettered section 8b is essential to my ability to protect present Intelligence Sources and Methods, and also critical to this Agency's ability to attract new sources of information. A foreigner who cooperates with us may stand in danger of losing his life, should our relationship become known. Most Americans who cooperate with us also desire confidentiality. We have always been able to assure those who assist us that no one outside CIA will have access to their records, and that only the absolute minimum number of Agency employees will know of the relationship. I believe the revelation that non-Agency auditors could gain access to their names or records might well discourage many of these people from future cooperation, and would certainly affect the assurance we could, in good faith, provide. We have already lost some cooperation, due to the fear of disclosure evoked by the recent plethora of leaks and allegations about CIA activities. In this context I believe that the resumption of GAO audit, even if limited to the scope previously observed, could well result in a public impression that all activities were being reviewed by GAO. Thus the risk of damage to key Agency relationships, both present and future, with agents, [REDACTED]

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[REDACTED] etc., essential to the satisfactory execution of many Agency functions and which can be maintained only in a climate of mutual confidentiality would be a serious concern should there be any change in the status quo insofar as GAO audit of Agency activities are concerned.

In conclusion, I am fully perceptive of the concerns of Congress for effective oversight of the activities of this Agency. Audit by

the General Accounting Office, however, is only one of several tools available to the Congress for use in accomplishing this purpose. For the reasons discussed above I believe the national interest would be best served by not utilizing this particular tool. The remaining tools available to the Congress for this purpose can be strengthened as the Congress may desire - these tools include (a) confirmation power of the United States Senate as it relates to evaluation of the character and integrity of individuals nominated by the President to serve as Director and Deputy Director of this Agency (b) oversight of and participation in the budget review process (c) evaluation of the quality and soundness of the principles and standards (following GAO Principles and standards) established by the Director of Central Intelligence for the control and use of all funds (d) evaluation by Congressional Committees (or by the Comptroller General on their behalf) of the Agency's internal audit processes which also follow GAO standards and (e) general oversight activities by the Committees of Congress with jurisdiction over Agency affairs.

Sincerely,

W. E. Colby
Director

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The decision of the Comptroller General to discontinue the audit of Agency activities was received with considerable reservation within CIA. We have always felt that an arrangement could be reached which would comport with GAO audit requirements and at the same time avoid endangering Intelligence Sources and Methods, which I have a statutory duty to protect. However, I must oppose any legislation, including S. 653, which would authorize any additional access to our most sensitive records.

Sincerely,

W. E. Colby
Director